
Lawyers' Assistance Program, Inc.

Financial Statements

For the Six Months Ended
June 30, 2014

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JAN 28 2015

Lawyers' Assistance Program, Inc.

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Independent Auditors' Report

To the Board of Directors
Lawyers' Assistance Program, Inc.
Mandeville, Louisiana

We have audited the accompanying financial statements of Lawyers' Assistance Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the six months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lawyers' Assistance Program, Inc.'s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Directors
Lawyers' Assistance Program, Inc.
Mandeville, Louisiana

Opinions

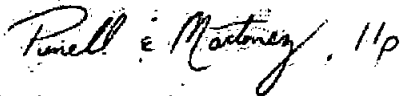
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lawyers' Assistance Program, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed at Note 1 in the notes to financial statements, the Board of Directors approved a change in LAP's fiscal year end from December 31 to June 30. This change in the reporting cycle began January 1, 2014. As a result of the change, LAP is reporting operations for the six months ended June 30, 2014. The auditors' opinion is not modified with respect to the matter emphasized.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014, on our consideration of Lawyers' Assistance Program, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lawyers' Assistance Program, Inc.'s internal control over financial reporting and compliance.



Covington, Louisiana
December 22, 2014

Financial Statements

Lawyers' Assistance Program, Inc.
Statement of Financial Position
June 30, 2014

ASSETS

Current Assets

Cash and cash equivalents	\$	335,533
Accounts receivable		109,850
Prepaid expenses		9,868
		<u>455,251</u>

Fixed Assets

Property and equipment, net		17,868
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Other Assets

Deposits		3,660
	\$	<u><u>476,779</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	525
Accrued salaries and payroll taxes		4,099
		<u>4,624</u>

Net Assets

Unrestricted		472,155
	\$	<u><u>476,779</u></u>

See accompanying notes to financial statements.

Lawyers' Assistance Program, Inc.
Statement of Activities and Changes in Net Assets
For the Six Months Ended June 30, 2014

Revenues	
Monitoring fees	\$ 30,183
Contributions	1,575
Grants and other awards	165,939
Interest income	18
	<u>197,715</u>
Expenses	
Program services	158,343
Support services	36,846
	<u>195,189</u>
Increase in net assets	<u>2,526</u>
Net assets, beginning of period	<u>469,629</u>
Net assets, end of period	<u><u>\$ 472,155</u></u>

See accompanying notes to financial statements.

Lawyers' Assistance Program, Inc.
Statement of Functional Expenses
For the Six Months Ended June 30, 2014

	<u>Program Services</u>	<u>Support Services</u>	
	<u>Substance</u>	<u>Management</u>	
	<u>Abuse</u>	<u>and</u>	
	<u>Counseling</u>	<u>General</u>	<u>Total</u>
Salaries and related taxes	\$ 96,327	\$ 17,365	\$ 113,692
Employee benefits	14,918	1,360	16,278
Employee training and education	967	-	967
Medical consultant	6,650	-	6,650
Program workshops	12,755	-	12,755
Office lease	10,174	1,796	11,970
Utilities	1,578	278	1,856
Repairs and maintenance	-	1,359	1,359
Depreciation	-	1,798	1,798
Office supplies and services	7,677	2,559	10,236
Insurance	1,655	1,055	2,710
Legal and professional fees	-	6,015	6,015
Marketing and promotion	-	3,261	3,261
Travel, meals, and lodging	5,642	-	5,642
	<u>\$ 158,343</u>	<u>\$ 36,846</u>	<u>\$ 195,189</u>

See accompanying notes to financial statements.

Lawyers' Assistance Program, Inc.
Statement of Cash Flows
For the Six Months Ended June 30, 2014

Cash Flows From Operating Activities

Increase in net assets	\$	2,526
Adjustments to reconcile the increase in net assets to net cash used in operating activities:		
Depreciation		1,798
(Increase) decrease in:		
Accounts receivable		(76,350)
Prepaid expenses		3,626
Deposits		1,000
Increase (decrease) in:		
Accounts payable		525
Accrued salaries and payroll taxes		(1,080)
Net cash used in operating activities		<u>(67,955)</u>

Cash Flows From Investing Activities

Purchases of property and equipment		<u>(7,564)</u>
Net cash used in investing activities		<u>(7,564)</u>

Decrease in cash and cash equivalents		(75,519)
Cash and cash equivalents, beginning of period		<u>411,052</u>
Cash and cash equivalents, end of period	\$	<u>335,533</u>

See accompanying notes to financial statements.

Lawyers' Assistance Program, Inc.

Notes to Financial Statements

1. History and Summary of Significant Accounting Policies

Organization

Lawyers' Assistance Program, Inc. ("LAP") was organized on February 8, 1992 as a Louisiana not-for-profit organization. The goal of LAP is to serve the public, the Bar, and the profession by assisting, on a confidential basis, lawyers and judges whose professional impairment may stem from alcoholism, drug abuse, mental health, or gambling.

Basis of Accounting

LAP's financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, revenues are recognized when earned and expenses are recognized when incurred. The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") is the source of authoritative GAAP.

Change in Fiscal Year End

On October 1, 2014, the Board of Directors approved a change in LAP's fiscal year end from December 31 to June 30 of each year. This change in the reporting cycle began January 1, 2014. As a result of the change, LAP is reporting operations for the six months ended June 30, 2014.

Net Asset Classification

In accordance with FASB ASC requirements, net assets and the changes in net assets are grouped into the following three classes:

- *Unrestricted net assets* - net assets that are not subject to donor-imposed stipulations are classified as unrestricted. These may be designated for specific purposes by action of the Board of Directors.
- *Temporarily restricted net assets* - support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Donor restricted support that will be met either by action of LAP and/or the passage of time, are classified as an increase in temporarily restricted net assets. When restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.
- *Permanently restricted net assets* - net assets subject to donor-imposed stipulations that they be maintained permanently by LAP are classified as permanently restricted.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. LAP's net assets are unrestricted.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and revenues and expenses reported during the period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash includes all highly liquid debt instruments with original maturities of three months or less when purchased.

Lawyers' Assistance Program, Inc.

Notes to Financial Statements

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Accounts Receivable

LAP uses the allowance method to determine uncollectible accounts receivable. Management periodically reviews the status of all accounts receivable balances for collectability. Based on past experience and analysis of receivable collectability, management has determined that no allowance for doubtful accounts is necessary.

Property and Equipment

Equipment is stated at cost less accumulated depreciation and is depreciated using the straight-line method over the estimated useful life of 5 to 7 years. Expenditures for repairs and maintenance are charged to operating expense as incurred.

Contributions

Contributions and unconditional promises to give are recorded when pledges are made by the respective donors. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Marketing and Promotion

All costs relating to the marketing and promotion of LAP's services are expensed as incurred. Total marketing and promotion expenses for the six months ended June 30, 2014 was \$3,261 and are recorded as management and general expenses in the accompanying statement of functional expenses.

Compensated Absences

Employees of LAP are entitled to paid leave depending upon length of service and other factors. Paid leave accumulated during a calendar year does not roll forward to the following year. LAP's policy is to recognize the costs of compensated absences when paid to employees.

Income Taxes

LAP has been recognized by the Internal Revenue Service as an organization exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in these financial statements. With few exceptions, LAP is no longer subject to federal or state examinations by tax authorities for the year before 2011.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, LAP may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. There were no unrecognized tax benefits identified or recorded as liabilities at June 30, 2014.

Lawyers' Assistance Program, Inc.

Notes to Financial Statements

2. Property and Equipment

Property and equipment consist of the following at June 30, 2014:

Furniture and equipment	5 - 7 years	\$	26,873
Accumulated depreciation			<u>(9,005)</u>
		\$	<u>17,868</u>

Depreciation expense for the six months ended June 30, 2014 was \$1,798.

3. Operating Lease Commitment

LAP leases office facilities under a sixty month operating lease agreement that commenced on December 1, 2012 and expires November 30, 2017. Future minimum rent payments are as follows:

For the Year Ended June 30	Amount
2015	\$ 25,725
2016	27,000
2017	27,000
2018	<u>11,250</u>
Total	<u>\$ 90,975</u>

Rent expense for the six months ended June 30, 2014 was \$11,970.

4. Related Party Transaction

LAP has entered into an agreement with Vivid Marketing Solutions, LLC – a company owned by the executive director's spouse – to design, develop, and launch LAP's new website. The original contracted costs was \$3,850. However, Vivid Marketing Solutions, LLC discounted the price by \$1,030 as a donation to LAP. As of June 30, 2014, LAP has paid Vivid Marketing Solutions, LLC \$1,410 as a deposit, with the remaining balance of \$1,410 to be paid upon completion of the website.

Lawyers' Assistance Program, Inc.

Notes to Financial Statements

5. Concentrations

In the normal course of operations, LAP maintains cash deposits with major financial institutions which, from time to time, may exceed federally insured limits. At June 30, 2014, LAP's bank balance exceeded FDIC insurance limits by \$62,574. Management periodically assesses the financial condition of the institutions and believes the risk of incurring material losses related to this credit risk is remote.

For the six months ended June 30, 2014, LAP received revenue totaling \$60,000 from the Louisiana Outside Counsel Health and Ethics Foundation and \$75,000 from the Louisiana State Bar Association.

Included in accounts receivable is \$30,000 due from the Louisiana Outside Counsel Health and Ethics Foundation and \$75,000 due from the Louisiana State Bar Association. Payment of these accounts is dependent upon the organization's ability to fund their projects and programs.

6. Compensation to Board Members

Compensation paid to the Board of Directors of LAP for the six months ended June 30, 2014 is as follows:

<u>Board Member</u>	<u>Amount</u>
Dian Tooley Knoblett	\$ -
Don Massey	-
Sue Tart	-
Jim Lambert	-
Steve Thomas	-
Robert Lee	-
George Pierson	-
Nancy Snow	-
Robert Shadoin	-
Deb Faust	-
Craig Caesar	-
David Cooley	-
Tom Bergstedt	-
John Gutierrez	-

7. Subsequent Events

LAP's management has evaluated subsequent events through December 22, 2014, the date which the financial statements were available to be issued.

Reports Required by Government Auditing Standards

**Independent Auditors' Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Lawyers' Assistance Program, Inc.
Mandeville, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lawyers' Assistance Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the six months then ended, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lawyers' Assistance Program, Inc.'s internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lawyers' Assistance Program, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Lawyers' Assistance Program, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

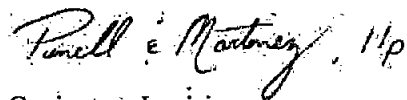
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lawyers' Assistance Program, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lawyers' Assistance Program, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lawyers' Assistance Program, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



Covington, Louisiana
December 22, 2014

Lawyers' Assistance Program, Inc.
Schedule of Findings
For the Six Months Ended June 30, 2014

A. Summary of Auditors' Results

a. Financial Statements

Type of auditors' report issued: Unmodified

b. Internal control over financial reporting:

Material weaknesses identified _____ yes ☒ no

Significant deficiencies identified not
considered to be material weaknesses _____ yes ☒ none noted

c. Noncompliance material to financial
statements noted _____ yes ☒ no

B. Findings in Accordance with *Government Auditing Standards*

None

Lawyers' Assistance Program, Inc.
Schedule of Prior Year Findings
For the Six Months Ended June 30, 2014

A. Findings in Accordance with *Government Auditing Standards*

2013-1: Insufficient design and documentation of internal controls over financial reporting

Condition

As part of our audit, we obtained an understanding of the Lawyers' Assistance Program, Inc.'s internal controls over financial reporting. This process has indicated the insufficient design and documentation of the internal controls over the accounts and processes being audited and over financial reporting.

Criteria

Lawyers' Assistance Program, Inc. should design, implement, and maintain an accounting policies and procedures manual that will provide an adequate system of internal controls over financial reporting.

Cause of Condition

Inadequate segregation of duties due to management being dominated by a small group without compensating controls, including ineffective monitoring of management by the Board of Directors.

Potential Effect of Condition

Ineffective internal controls over financial reporting could lead to errors and/or fraud which could adversely impact the ability to assure timely and accurate financial reporting.

Recommendation

This finding is common for organizations of similar size and can be offset with effective oversight by the Board of Directors. Therefore, we recommended the Board of Directors to meet regularly to provide effective oversight for the Lawyers' Assistance Program, Inc. In addition, we recommended the Board of Directors to pass a resolution implementing an accounting policies and procedures manual specifically tailored to the operations of the Lawyers' Assistance Program, Inc.

Update

Lawyers' Assistance Program, Inc. designed and implemented an accounting policies and procedures manual. This manual details LAP's policies and procedures for accounting and financial reporting, document retention, expense reimbursements, travel, conflict of interest, and whistleblower. The prior year finding is resolved at the date of this report.